

# PENSION NEWS

Government  
PublicationsIssue 22  
November 2000

Teachers' Pension Plan Board  
Conseil du régime de retraite des enseignantes et des enseignants

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## 2.5% Inflation adjustment for 2001

**Y**our pension will grow to keep up with inflation by 2.5%. The details of how much your pension will increase will be mailed to you in a statement at the end of January.

### Prorated for recent retirees

If you retired this year, your inflation adjustment will be prorated to the number of months you have been collecting your pension. For instance, if you retired in June 2000, the inflation adjustment applied to your pension will be 1.25% because you will have been collecting a pension for only half the year.

The inflation adjustment applied to your pension is based on the Consumer Price Index (CPI) and takes the average of the 12-month period ending September 2000 and compares it to the previous year's 12-month average. This method has been used by the Teachers' pension plan since inflation protection was introduced in 1976. The same method is used by some other major pension plans, including the Canada Pension Plan.

### What is the CPI?

The Consumer Price Index is a weighted average of the cost of a basket of goods and services—such as food, clothing, housing, gasoline, health and personal care, recreation and education—normally purchased by Canadian households.

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## Same-sex benefits as of April 1998

Shortened life expectancy update

page 6

**I**f you retired in a same-sex relationship since April 23, 1998, your partner may now be eligible for a survivor pension.

Recent amendments to the pension plan allow survivor pensions and pre-retirement death benefits for same-sex common-law partners as of April 23, 1998. The amendments change the effective date for same-sex survivor benefits from December 8, 1998.

The amendments also entitle same-sex partners of members who were already on pension as of April 23, 1998 to receive a survivor pension as long as the partner would have met certain requirements when the member retired.

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## You asked us

**Q.** *Can the restrictions on teaching after retirement be lifted?*

H.R.

**A.** Currently, retired teachers can teach to a maximum of 95 days per school year for each of the first three years they return to teaching, and 20 days per school year thereafter.

These limitations are stipulated in the pension plan. We have no authority to change the plan.

**Q.** *Why do retired teachers pay the same (fee) to the Ontario College of Teachers as regular teachers, particularly when some of us can only teach 20 days a year?*

J.H.

**A.** The fees are set exclusively by the Ontario College of Teachers.

**Q.** *What are the possible uses of the present pension surplus? When will the decision regarding use of the surplus be made?*

G.E.

**A.** The OTF will decide to spend the next \$6.2 billion to improve pension benefits, or reduce the contribution rate, or create a reserve fund, or some combination of the three options.

The changes to plan benefits negotiated between the Ontario government and the OTF in April 1998, allowed the government to eliminate the original unfunded liability of \$8.4 billion and the OTF

to introduce benefit improvements totalling \$2.2 billion, which included the 85-factor window. Under the agreement, the use of the next available \$6.2 billion is to be decided solely by the OTF.

When will all this happen? The funding valuation to determine the size of the surplus will be based on the plan as at January 1, 2001, and will likely be ready sometime in February. We expect the OTF to announce how they plan to allocate any available surplus up to \$6.2 billion early in the new year.

We will let members know as soon as we do. The details will be available on our Web site and in a special issue of *Pension News*.

**Q.** *Since the plan has been doing so well, can I invest my RRSPs and RIF with the Teachers' pension plan?*

J.P.

**A.** Not under the current rules. We invest the plan's assets to ensure there are funds to pay the pensions that have been promised to 150,000 elementary and secondary school teachers, 75,000 retired teachers and their survivors and 90,000 former teachers with entitlements in the plan. However, this is something we're considering for the future if enough members are interested. Please send your comments to: [comments@otpp.com](mailto:comments@otpp.com)

## Bank branch mergers

Amalgamating or closing bank branches has disrupted payments for a few pensioners. You can avoid a delay in your pension payment by checking that your account and branch number have not changed when there is a branch merger or closing. If there is a change, especially to the branch code, please let us know in writing as soon as possible so we can update our records.

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## Living outside of the country? Escaping winter?

If you live outside of Canada, even for only part of the year, you can avoid transaction fees by receiving your pension payment in the currency of the country in which you reside.

For instance, if you live in the United States, or vacation there during the winter months, you can have your monthly pension paid to you in U.S. dollars. By doing so, you can avoid bank charges, currency transaction fees and collection charges.

You can make the arrangement to have your pension payment sent to you as a cheque in a foreign currency by telephoning us.

To resume having your pension payment electronically deposited into your Canadian bank account, make the request in writing and send along a void cheque.

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## Deadline reminder: pre-84 summer school, night school

If you taught summer school, night school or adult day school before September 1984 and were already employed less than full time, you may be eligible to contribute to the pension plan for the time you taught. The deadline for applications is December 31, 2000.

## Taught at the ROM?

If you were employed at the Royal Ontario Museum between 1985 and 2000 and held a valid teaching certificate, you may be eligible to contribute to the pension plan for the time you were employed. Please telephone us before December 31, 2000.

## Retirement pensions during the 85-factor window



**STATS'  
all folks**

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## Investment process, self-policing values help ensure plan's ethical behaviour

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### 2.5% inflation adjustment for 2001

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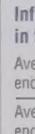
The CPI is determined monthly by Statistics Canada. The weighted average means that some items are given more importance according to the proportion of household income spent on them. For instance, the cost of housing generally uses more of the household income than the cost of recreation.

### Inflation adjustment method prescribed in the Teachers' Pension Plan

Average CPI for 12-month period ending September 2000

— 1 = 2.5%

Average CPI for 12-month period ending September 1999



— 1 = 2.5%

### FAST FACTS

• 2.5% inflation adjustment for 2001 is the same as some of the other major pension plans, including the Ontario Pension Board and OPSEU Pension Trust.

• The inflation adjustment calculation is explicitly stated in the Teachers' Pension Plan.

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The method of calculating the adjustment is the same today as when we started indexing pensions 25 years ago.

•

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For pension plan purposes, a same-sex partner is defined as someone with whom you have lived in a conjugal relationship for at least three years (or less, if you are the parents of a child).

### Why the April date?

Previously, the date used to administer the benefit was the December 8, 1998 date of the OPSEU court decision in which the definition of spouse in the *Pension Benefits Act* was effectively changed to include same-sex common-law partners. The recent amendments to the pension plan recognize the April 23, 1998 date of the Rosenberg court decision that, for the first time, allowed same-sex pension benefits under the *Income Tax Act*.

# Investment process, self-policing values help ensure plan's ethical behaviour

During the summer, investment managers at RT Capital were found to have violated securities regulations.

Could an investment manager at Teachers' artificially inflate the price of a stock or violate securities regulations without being caught? Not likely.

As part of his speech to the OTF Board of Governors on August 23, 2000, Robert Korthals, Chairman of the Ontario Teachers' Pension Plan Board, explained why. The following has been excerpted from his speech.



Korthals

...Integrity is a self-policing responsibility. If we pick senior executives who believe in good ethics as a business priority ...and they hire staff that share their views ...an ethical culture will emerge.

That is what has happened at the pension board under the diligent leadership of Claude Lamoureux, Bob Bertram and Al Reesor.

They have set the tone. Bay Street cowboys who are in the investment business for the adrenaline rush need not apply.

## Checks and balances

...Teachers' has several segmented processes in place that help to prevent a breakdown of the positive ethical environment.

For example, a portfolio manager decides what stocks to buy and in what price range. But the decision on when to buy those stocks and at what exact price is made by a trader. There is a clear separation of duties.

Furthermore, each stock transaction is measured and thus reviewed at the end of each day. The finance department accounts for and reconciles each transaction for settlement. This provides a

further check on trading activities. ...On top of that, most of our portfolio managers and traders receive performance incentives based on four-year results. This makes short-term misbehaving even less beneficial to them.

## Corporate culture best protection

The biggest protection against any unethical behavior is the strength of our corporate culture with its emphasis on self-policing values.

"Bay Street cowboys who are in the investment business for the adrenaline rush need not apply."

Robert Korthals,  
Chair of the Board, Ontario Teachers' Pension Plan Board

This philosophy is evident in our policing of what is called "front running." This term refers to an employee having advance inside information that will materially affect a company's share price and trading for his or her own benefit on that information.

Every time an employee of the investment department, or an officer or director wants to make a personal trade, he or she has to get permission from the legal department. *Continued on page 4*

# New provincial tax forms

A change to the way provincial taxes are collected means you may need to complete a new form at the beginning of the year. The form will be similar to the federal TD1 form.

We'll automatically assume the basic exemption based on your province of residency. However, for additional exemptions, you'll need to complete one of the new provincial tax forms. The new forms are available from your local tax office. ☐

## Tax rates vary by province

If you live outside of Ontario, remember that tax rates may vary from province or territory. For instance, the tax rates in B.C. or Quebec are generally higher than the rate in Ontario. If you move to another province, be aware that there may be a change to the amount we must deduct from your pension. ☐

## PENSION NEWS

We appreciate your comments about anything you read in *Pension News*. Contact John Cappelletti at (416) 730-5351 or 1-877-812-7989 or e-mail: [john\\_cappelletti@otpcc.com](mailto:john_cappelletti@otpcc.com)

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This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.

Ce bulletin est disponible également en français.

ISSN 1180-3282

# Terminally ill benefit calculation clarified

Retired teachers who face the prospect of a shortened life expectancy due to terminal illness or injury, have the choice of receiving the present value of about six months pension in lieu of further payments. This has recently been revised from the one-year interim calculation we reported in the May issue of *Pension News* (Issue 21) and is based on mortality assumptions provided by the plan's actuaries.

The shortened life expectancy benefit requires:

- A physician's certificate verifying life expectancy is less than two years; and
- The spouse's written consent waiving any right to a survivor pension.

If the physician's statement assigns a life expectancy more specific than, "less than two years," the time indicated will form the basis of the calculation instead of the six months used otherwise.

It is also important to note that the calculation of the pension payment is from the date of the physician's statement, not the application date.

The shortened life expectancy provision is one of a series of amendments to the *Pension Benefits Act* that took effect last March. ☐

## Reminders...

### Moving?

Don't forget to tell us if you move. You can write to us or contact us by e-mail, fax or telephone.

### Changing banks?

If you're planning to change banks, inform us at least four weeks in advance to avoid any delays in the receipt of your pension. Please include a new void cheque when writing to us. ☐

